

## DOCKET SECTION

PRESIDING OFFICER'S  
RULING NO. R97-1/61

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION  
OFFICE OF THE PRESIDING OFFICER

Postal Rate and Fee Changes

Docket No. R97-1

**PRESIDING OFFICER'S RULING GRANTING IN PART OCA  
MOTION TO COMPEL RESPONSES TO OCA/USPS-71-73, 74(a) and (b), 75(a)  
and (b), 76-78, 84, 85, 86(i), and OCA/USPS-T5-42**

(November 13, 1997)

The Office of the Consumer Advocate (OCA) filed a set of interrogatories on September 16, 1997, that included OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), and 76-78. It filed a second, related set on September 17, 1997, that included OCA/USPS-T5-42. It filed a third set on September 19, 1997, that included OCA/USPS-84, 85, and 86(i). On September 26, 1997, the Postal Service objected to the above-listed interrogatories from the first set.<sup>1</sup> On September 29, 1997, it objected to the above-listed interrogatories from the second and third sets.<sup>2</sup> On October 10, 1997, the OCA filed a motion to compel responses to these interrogatories.<sup>3</sup> On October 27, 1997, the Postal Service filed its opposition to that motion.<sup>4</sup> The interrogatories to which the Postal Service objects fall into four groups that will be addressed in turn.

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<sup>1</sup> Objection of United States Postal Service to Office of the Consumer Advocate Interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78 (Objection 1).

<sup>2</sup> Objection of United States Postal Service to Office of the Consumer Advocate Interrogatories OCA/USPS-T5-42, OCA/USPS-84 and 85, and Partial Objection to OCA/USPS-86(i) (Objection 2).

<sup>3</sup> Office of the Consumer Advocate Motion to Compel Answers to Interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78, 84, 85, 86(i), and OCA/USPS-T5-42 (Motion).

<sup>4</sup> Opposition of the United States Postal Service to Office of the Consumer Advocate Motion to Compel Answers to Interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78, 84, 85, 86(i) and OCA/USPS-T5-42 (Opposition).

*Interrogatory OCA/USPS-T5-42.* This interrogatory to Postal Service witness Alexandrovich begins by referring to an earlier interrogatory answer by Postal Service witness Moeller in which witness Moeller acknowledges that significant changes to established cost methods proposed by the Postal Service in this docket make it difficult to compare cost differentials among various types of mail that he estimates in this docket with those estimated in prior dockets. The interrogatory states the OCA's intention to make these difficult comparisons itself, using the requested information. Part "a." of the interrogatory then asks the Postal Service to "list and describe all significant changes to attribution methodology in this proceeding" for every cost component, down to the level of specific pages, lines, rows, and columns of all testimony, workpapers, or library references. It also asks the Postal Service to state whether each listed change causes the level of attribution of that component to increase, decrease, or remain the same. Part "b." of the interrogatory asks the Postal Service to "list and describe all significant changes to the distribution key(s) used in this proceeding," including references to specific pages, lines, rows, and columns. It also asks the Postal Service to state whether each listed change causes the attributable cost share of each subclass to increase, decrease, or remain the same.

The OCA contends that Order No. 1197 establishes the Postal Service's obligation to provide not just notice, but also evidence of the impact that its proposed changes in cost attribution methods have on its estimates of cost coverages under its proposed rates. Motion at 5. The OCA's Motion does not explain why it needs an itemization of this detail for all cost segments. The interrogatory itself suggests that the OCA is interested in calculating letter/flat differentials by established methods.

The Postal Service argues that this interrogatory is too broad to be legitimate discovery. It infers from its lack of focus that this interrogatory is not designed to overcome any particular analytical obstacle that the OCA has encountered, but is an attempt to have the Postal Service do its analytical work for it. The Postal Service asserts that it has provided enough documentation in the alternate cost presentation that it provided under Rule 54(a) to allow the OCA to calculate any impact of the Postal

Service's proposed changes in attribution methods that the OCA is interested in. Opposition at 2-3. It argues that requiring it to list every line of testimony and supporting documentation that would change if established attribution methods had been used is not a reasonable obligation to impose, especially in view of the sweeping changes that it proposes in this docket that affect almost all cost segments. It notes that every witness would have to scrutinize his testimony and supporting documents to identify what portions would change if established methods had been applied. Because the testimony of its various witnesses is so interdependent, it complains, each witness would have to go to great lengths to identify how changes in his testimony would be reflected in the testimony of others. Opposition at 4-6.

Attachment A to the Postal Service's Opposition purports to illustrate how unreasonable it would be to assemble the detailed list of affected testimony and documentation called for by the interrogatory. Attachment A, it argues, took two man days to prepare, and lists only a small subset of the changes that would have to be made if mail processing labor had been attributed by established methods. The Postal Service contends that compiling a comprehensive list of mail processing labor adjustments would require a minimum of 14 additional man days. It notes that mail processing labor is only one of many significant attribution changes that it proposes, and that listing the changes associated with each of them would add substantially to the burden of responding to this interrogatory. *Id.* at 5.

The OCA's Motion rests on the sound premise that the Postal Service is obligated to provide evidence of the impact of its proposed changes to established cost attribution methods. The extent of that obligation is determined by the need that the requesting party demonstrates for the information and the burden that the Postal Service demonstrates that it would incur if it were to provide it.

The changes in attribution methods that the Postal Service proposes in this docket are fundamental and wide ranging. The documentation of these changes is unusually complex and challenging to follow. The impact of these changes on the attributable costs of the various subclasses is potentially very large. The impact of

these attribution changes on the Postal Service's cost savings estimates upon which discounts are based is potentially large as well. Under these circumstances, I am generally sympathetic with the pleas of an intervenor such as the OCA for some additional guidance through this documentation.

This interrogatory, however, seeks information that is in a form that does not appear to be particularly useful in achieving the OCA's apparent objective of calculating letter/flat differentials by established methods. Listing in exhaustive detail all portions of the Postal Service's costing presentation that are affected by its proposed changes in attribution methods has little analytical value, as Attachment A illustrates. A list such as that in Attachment A would not appear to add significantly, if at all, to the information that witness Alexandrovich has already provided in the footnotes to his Workpapers A-1 and A-2. Witness Alexandrovich's testimony already provides brief descriptions of significant changes in attribution methods, as well as a reference to the testimony of the appropriate witness where, in most instances, an adequately detailed description can be found.

This interrogatory also asks the Postal Service to separately calculate the effect of each and every change that it proposes in a costing method or distribution key on the level of attributable costs in each component, and for each subclass. Whether the need to isolate the impact of a change in a particular attribution method on a particular cost component or subclass outweighs the burden on the Postal Service of calculating it is something that ordinarily will depend, in part, on the significance of the particular attribution method for which the request is made. This interrogatory, however, asks for such individual impact analysis for every attribution method that the Postal Service proposes to change. In this docket this would be an enormous burden, given the number of attribution changes proposed. It would require a more compelling showing of need than the OCA provides. For these reasons the OCA's motion to compel is denied as to this interrogatory.

*Interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), and 76.*

OCA/USPS-71 asks the Postal Service to list the "steps necessary to compute the test

year mail processing unit cost . . . when mail processing costs are assumed to be 100 percent variable." This interrogatory indicates that it seeks a list of steps that is analogous to the list of four steps included in the Postal Service's response to MMA/USPS-T32-27b, in that it is seeking a description of steps that would have to be taken to restore the established assumption that mail processing labor costs are 100 percent variable with volume.<sup>5</sup> Where MMA/USPS-T32-27b sought this information only for bulk metered First-Class single-piece letters, OCA/USPS-71 seeks this information for "each rate element." Rather than the four highly generalized steps described in the Postal Service's response to MMA/USPS-T32-27b, OCA/USPS-71 asks the Postal Service to identify the portions of its documentation that would need to be changed "by page, row, and column number." This interrogatory essentially subsumes the more specific questions in interrogatories OCA/USPS-72 through 76.

There is some ambiguity as to the intent of OCA/USPS-71 through 76. The OCA's Motion characterizes the 100 percent variability assumption as "the methodology used in prior cases." Motion at 1. The Postal Service assumes that these interrogatories seek a description of the steps necessary to restore all aspects of the established method of attributing these costs, including the established method of distributing them. Opposition at 2, n. 1. This, however, is not the most plausible interpretation of this line of interrogatories. By their terms, these interrogatories seek information that is analogous to that provided in response to MMA/USPS-T32-27b. The Postal Service's response to MMA/USPS-T32-27b lists the steps that are necessary to compute test year mail processing unit costs for the type of mail referenced there under the assumption that mail processing costs are 100 percent variable, leaving all other aspects of the Postal Service's proposed mail processing labor cost attribution methods intact, including its use of MODS-based cost pools to distribute those costs. Accordingly, the most plausible interpretation of this line of interrogatories is that it is

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<sup>5</sup> Interrogatories OCA/USPS-71 through -76 cite MMA/USPS-T32-37b, but it is clear from the material quoted in each that they intend to refer to MMA/USPS-T32-27b.

asking for the same thing — the steps necessary to restore only the 100 percent variability assumption.

So interpreted, these interrogatories ask the Postal Service to provide a detailed "road map" showing the steps necessary to restore the established assumption that mail processing labor is 100 percent volume variable. To support its request, the OCA points out that the Postal Service is proposing to overturn the fundamental assumption by which it and the Commission have been attributing these costs in the past. It argues that this "road map" will be valuable to the parties and the Commission if this departure from long-held assumptions is not adopted. Motion at 4. Given the importance of knowing the impact that such a fundamental change would have, the OCA argues, the argument that this information would be burdensome to provide should not be controlling. Motion at 6.

The Postal Service complains that its cost presentation does not assume that mail processing labor costs are 100 percent variable, and, therefore, the procedures necessary to reinstate this established assumption are irrelevant to its case. Objection 1 at 2. The Postal Service argues that "in most instances" the extensive documentation already required by the Commission's rules should provide the OCA with the ability to trace through lines, columns, and rows of workpapers and library references that would have to be changed to restore the 100 percent variability assumption. It asserts that it should not have to do the OCA's "homework." It argues that providing the "road map" requested by this line of interrogatories could "take a total of several full weeks." *Id.* at 3.<sup>6</sup>

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<sup>6</sup> The Postal Service appears to misinterpret OCA/USPS-71 in a significant respect. This interrogatory asks the Postal Service to provide a "list of necessary steps for each rate element for each of the rate design witnesses in this docket" analogous to the list that it provided in response to MMA/USPS-T32-27b. The Postal Service apparently interprets this as a request for the steps necessary to adjust the *rate* for each rate element, and warns that this would be an iterative process with a substantial subjective component. Opposition at 5. MMA/USPS-T32-27b, and OCA/USPS-71, however, ask for the steps necessary to calculate the *unit cost* of the type of mail referenced. The Postal Service, therefore, need not be concerned about the problems associated with redesigning rates under the 100 percent variability assumption.

Order No. 1197 makes it clear that the Postal Service has the burden of demonstrating the impact that its proposed changes in attribution principles would have on the attributable costs and cost coverages of the various subclasses at the Postal Service's proposed rates. It is implicit in Order No. 1197 that the Postal Service also has a duty to identify and explain changes in the mechanical procedures that it proposes to use to implement a proposed change in attribution principles. This duty is tempered by considerations of the burden that providing the requested road map would impose on the Postal Service relative to the burden that it would impose on the intervenors. Because the 100 percent variability assumption that the Postal Service seeks to overturn is a fundamental and long-standing assumption underlying the attribution of the largest single component of Postal Service costs, the need to identify and evaluate all of the consequences of that change is compelling. To fully grasp all of the consequences of that change it is necessary to know all of the costing procedures that would change if it were adopted, especially the procedures for calculating the cost savings that underlie its discounts. The Commission and most participants share the OCA's need to be able to identify and understand these changes. This need justifies imposing a burden upon the Postal Service, even if it is substantial.

Even though the Postal Service has provided a good deal of documentation of its proposed procedures for calculating mail processing labor costs, important aspects of these procedures are not straightforward and self-evident.<sup>7</sup> As the author of these

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<sup>7</sup> Due to the manner in which LR H-77 is constructed, it is very difficult for an analyst who is not intimately familiar with the underlying spreadsheets to accurately incorporate changes in the assumed variability of mail processing labor costs. LR H-77 is prepared using two spreadsheets: Mppgfy98.xls and Costpler.xls. These spreadsheets contain links to each other as well as links to files found in LR H-127. Accurately incorporating different variabilities requires updating all of these links. However, simply updating links does not appear to ensure that data changed in one file will flow to the linked file. For example, changing variability assumptions affects the operation-specific costs found in Costpler.xls, sheet 3. These costs are used in Mppgfy98.xls Sheet E. However, the link in Mppgfy98.xls is to columns in Costpler.xls, sheet 3, where the calculated totals are cut and pasted. Unless the new calculated totals are cut and pasted into the linked columns, the data in Mppgfy98.xls will not be updated. Similar problems are encountered when revising LR H-106 to reflect different variability assumptions. LR H-106 is linked to files found in library references H-77(such as

procedures, the burden on the Postal Service of explaining in detail or illustrating how its proposed procedures differ from the established procedures is considerably less than the burden on the participants of making this determination. This is an additional reason for requiring the Postal Service to respond to this line of interrogatories.

Although the importance of the information that these interrogatories seek warrants a substantial effort on the part of the Postal Service, it is desirable to minimize the Postal Service's burden, if it can be done without significantly reducing the value of the information provided. As previously noted, the Postal Service has complained that preparing a verbal "road map" covering every page, column, and row that would have to be adjusted in order to restore the established mail processing labor variability assumption could take a total of several full weeks. It appears that this burden could be substantially reduced if the Postal Service were to simply illustrate those procedures by showing the calculations that would be necessary to restore the established variability assumption. If, after reviewing the illustration, the OCA feels that it still needs detailed explanations of particular procedures, it would be appropriate to request a technical conference.

These interrogatories ask that the requested documentation be provided for "each rate element" in the rate schedule. The value of documentation at this level of detail does not appear to justify the burden of providing it. Accordingly, it will be sufficient for the Postal Service to provide calculations for the worksharing categories and associated rate benchmarks within the First-Class, Periodicals, Standard A and Standard B subclasses. Using First-Class letters and flats as an example, information should be provided separately for (1) Bulk Metered Mail, (2) Presort, (3) Automation

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operation specific, and subclass piggyback factors), H-126, and H-129. It also contains input data from LR H-146 and USPS-T-5, T-6, and T-15. In some cases revisions have been made to this underlying data that are not reflected in the electronic spreadsheets. In addition, LR H-106 contains hidden columns and rows that increase the likelihood of overlooking necessary calculations. For example, in Cstshape.xls, in the worksheet METER, columns g, i, and j, and rows 62-75 are hidden.



Basic, (4) Automation 3-Digit, (5) Automation 5-Digit, (6) Carrier Route, (7) PRM/QBRM, (8) Basic Automation Flats, and (9) 3/5 Digit Automation Flats.

*Interrogatories OCA/USPS-77-78.* These interrogatories refer to USPS Library Reference H-196, which contains the base year portion of the Postal Service's alternate attributable cost presentation required by Rule 54(a). OCA/USPS-77 essentially asks whether the Postal Service encountered errors in logic or other problems in applying the Commission's attributable cost model and computer programs to the R97-1 data. OCA/USPS-78 asks if the Postal Service has provided the PC SAS and C language computer programs that it used to produce LR H-196, and asks it to identify any modifications that it made to those programs. The Postal Service objects that it is not obligated under Rule 54(a) to "provide a tutorial on how to run the Commission's model." Opposition at 7.

Rule 54 (a) contemplated that participants could ask relevant interrogatories about the Postal Service's Rule 54(a) presentation that met normal discovery standards. See Order No. 1176 at 8, Order No. 1197 at 5. These interrogatories do not ask for the Postal Service to develop a tutorial on how to run the Commission's cost model and programs. They merely ask the Postal Service to provide what program analysis it has already done, to identify any modifications that it made, and to explain any problems that it encountered. Since these questions address the established attribution process, and any difficulties the Postal Service encountered in applying that process to its proposed rates, they are clearly relevant and legitimate discovery. The Postal Service does not offer any analysis upon which to base a burden objection. Accordingly, the Postal Service is directed to respond to these interrogatories.

*Interrogatories OCA/USPS-84-85 and 86(i).* Interrogatories OCA/USPS-84 and 85 ask the Postal Service to provide, by CAG, the average annual cost per employee for each craft, and for each cost segment. Interrogatory OCA/USPS-86(i) asks the Postal Service to provide expense account data by CAG for the accounts listed in LR-H-1, Appendix A. This is essentially the same information requested in OCA/USPS-T-5-34 and 35.

As stated in P.O. Ruling R97-1/48, which denied the OCA's motion to compel responses to OCA/USPS-T-5-34 and 35, it appears that providing this information would require a substantial amount of effort on the part of the Postal Service. While linking finance numbers to CAG might not be difficult, the Service would have to make either additional assumptions, or undertake elaborate analysis, to provide end-of-year audit adjustments by CAG. The OCA would have to make a more specific showing of the use to which such information would be put in order to justify this effort. Accordingly, the OCA's Motion will be denied with respect to these interrogatories.

#### RULING

The Office of the Consumer Advocate Motion to Compel Answers to Interrogatories OCA /USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78, 84, 85, 86(i), and OCA/USPS-T5-42, filed October 10, 1997, is granted, with respect to OCA /USPS-71-73, 74(a) and (b), 75(a) and (b), and 76-78, to the extent described in the body of this Ruling. Responses to those interrogatories should be provided within two weeks of the date of this Ruling. With respect to interrogatories OCA /USPS-84, 85, and 86(i), and OCA/USPS-T5-42, the OCA's motion is denied.



Edward J. Gleiman  
Presiding Officer